

**CITY OF LODI  
INFORMAL INFORMATIONAL MEETING  
"SHIRTSLEEVE" SESSION  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, AUGUST 28, 2001**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, August 28, 2001 commencing at 7:03 a.m.

**A. ROLL CALL**

Present: Council Members – Hitchcock (arrived at 7:04 a.m.), Howard, Land, Pennino and Mayor Nakanishi

Absent: Council Members – None

Also Present: City Manager Flynn, Deputy City Attorney Schwabauer and City Clerk Blackston

**SPECIAL MEETING OF THE CITY COUNCIL**

At 7:05 a.m., Mayor Nakanishi adjourned the Shirtsleeve Session to a Special meeting of the City Council (NOTE: refer to the August 28, 2001 Special meeting minutes).

**B. CITY COUNCIL CALENDAR UPDATE**

At 7:09 a.m., Mayor Nakanishi reconvened the Shirtsleeve Session, and City Clerk Blackston reviewed the weekly calendar (filed).

**C. TOPIC(S)**

**C-1 "Water/Wastewater Rates"**

Public Works Director Prima stated that at a previous Council meeting the question was raised as to what other cities have done in the way of water and wastewater infrastructure replacement and the associated cost. Mr. Prima reported that it is difficult to obtain data on this issue, and there is no industry standard because it is dependent on the city's particular conditions. Lodi has 14 miles of two-inch water pipe on both the east and west sides of the City, in addition to some three-inch pipe that needs to be replaced. Much of this pipe was installed in the 1920s through 1940s. Through the 1960s there was an insufficient number of valves installed. Fire hydrants were placed 1,000 feet apart, whereas current standards require hydrants to be placed 300 to 500 feet apart. Pipes, valves, and fire hydrant placement all need to be brought up to current standards.

Mr. Prima reported that the City has an unknown amount of concrete or clay sewer pipes that need to be replaced using the bursting method. As part of the general plan update in the late 1980s, Public Works had a televised sampling done of the sewer pipes on the east side to determine capacity and condition. They discovered off-set joints and sags in the system. He explained that sewer pipes need to be installed on a gravity flow basis. Sewer pipes in Lodi were installed flat until the 1970s when lift stations were installed when needed and pipes were placed on a slope, which made them essentially self cleaning.

Referencing documents presented to Council (filed), Mr. Prima explained that staff used a budget figure of \$200 a foot per utility. The Stockton Street project was used as an example of costs, though Mr. Prima pointed out that this was not a typical infrastructure replacement because it was part of a street reconstruction project, which decreases the cost for water and sewer pipe replacement. Trunk lines run north and south, and mains that serve lots in this area run east and west. Services that tie into each house attach to the main lines. The contract price for water pipe replacement is \$97 per foot and wastewater pipe is \$122 per foot. In typical replacements (i.e. not done in conjunction with a street reconstruction project), the cost would increase an additional \$190 a foot per

utility. More pipe may need to be installed than is removed, due to rerouting that would be necessary around lots, side streets, and interconnections in order to meet current standards.

In response to Mayor Pro Tempore Pennino's request for clarification regarding costs, Mr. Prima justified his estimate by reporting that on a recent sewer replacement, which involved pipe bursting, the price was \$46 per foot. In addition, restoration of alleys in the older parts of the City will be necessary. In those areas both water and sewer lines are in the alley, and it is not practical to move the sewer from the alley to the street due to the way the houses were plumbed. In situations where the water and sewer lines are in a rear easement, the water line would need to be moved to the street, which would cause the additional work of street trenching and repair. Further, the split lots are problematic, where water and sewer lines run through one lot and serve another parcel. This may result in the need to place additional pipe in the alley and the street.

Discussion ensued regarding the difference between 'project' cost versus the 'per foot of pipe installation' cost, and the variances that are expected to occur with the infrastructure replacement project.

In reply to Mayor Nakanishi, Mr. Prima explained that the 2-inch pipe represents 10% of the City's system.

Council Member Hitchcock asked for an explanation of the factors involved in the 30% contingency cost.

Mr. Prima responded that the contingency cost includes engineering, staff, outside contractors to do the design work, split lots, restoration of rear yards, additional work required for the pipe bursting process, and unforeseen conditions such as when services are under a resident's garage floor or other inconvenient location.

Council Member Hitchcock questioned whether staff took into account the period of time the project would cover, and projected what the present value of those future dollars would be.

Mr. Prima reported that the cost estimate was done at the current dollar value. Staff projected out two years and added cost inflators for that period only. He did not recommend projecting rates beyond the two-year period. Rates will need to be adjusted periodically over time.

In answer to Mayor Nakanishi's suggestion to consider using City crews, Mr. Prima explained that the replacement project is seasonal and much of the work is specialized (e.g. pipe bursting) requiring certain equipment and expertise.

The current water rate for a three-bedroom home is a flat monthly rate of \$12.45. Of that amount, \$10.68 is for operations and maintenance – crews, engineering staff, power for pumps, lab work, etc; \$0.90 is for capital maintenance and equipment. Staff is recommending an increase of \$0.87 for the water pipe replacement program. Customers with a three-bedroom home are currently billed \$8.90 per month for sewer service. Of that amount, \$7.79 is for operations and maintenance; \$0.80 is for capital maintenance equipment. Staff is recommending an increase of \$0.31 for the sewer pipe replacement program.

In terms of an alternate water supply, Mr. Prima stated that if staff were to complete all the filings and proceed with the environmental and preliminary design work, the cost would potentially be \$2 million a year for the next several years. He presented this for information only and did not recommend adding that cost into the rates at this time.

Reporting on the wastewater treatment plant, Mr. Prima stated that \$370,000 has been included for each year of the 2001-03 budget to work on improvements at the plant. When a decision is made to go to tertiary, or other method, the total project cost is

*Continued August 28, 2001*

estimated to be \$34 million. Mr. Prima stated that 70% of the cost would be borne by rates, with the remaining 30% in a connection or impact fee. Using the rule of thumb of 10% for debt service, this amounts to \$2.38 million per year. Mr. Prima presented this for information purposes only and did not recommend adding that cost into the rates at this time.

In answer to Council Member Hitchcock's request for clarification on sustaining a fund balance, Mr. Prima explained that the budget policies specify that the Department maintain a minimum of 15%. Staff feels that maintaining only the minimum would not be prudent and suggest 15%, plus an amount for a capital replacement.

Mr. Prima also reported that the City has \$2 to 3 million in debt to the state for a loan taken a few years ago related to dibromochloropropane (DBCP).

City Manager Flynn added that the City borrowed approximately \$12 million for wastewater system improvements and currently owes \$10 million on that loan.

Returning to his report on rate increases, Mr. Prima recommended adjusting the water rate, but not changing the base charge for a meter. He also reported that all three utilities pay an in-lieu tax to the general fund: Electric Utility pays 12%, Water 17%, and Sewer 20%. Beginning the next fiscal year, he recommended adjusting the in-lieu tax so that all utilities pay 12%.

In reply to Mayor Pro Tempore Pennino, Mr. Prima explained that the proposed rate increases take into account the approximate \$605,000 difference to the general fund that the in-lieu tax change would make, which would result in no change in the net amount to the general fund.

Mr. Prima recommended the following rate increases take place October 1, 2001 and July 2002:

- Water – 3 bedroom home, increase \$3.11; additional increase of \$3.89 in July 2002
- Wastewater – 3 bedroom home, increase \$3.12; additional increase of \$4.20 in July 2002

Note: These increases amount to 25% for water and 35% for sewer.

Discussion ensued regarding equity in charging customers, the advantages and disadvantages of meters, and possible future issues.

In response to Mayor Pro Tempore Pennino for examples of rates spread out over five years and/or in a tiered effect, Mr. Prima advised against projecting further than two years due to uncertainties.

Council Member Hitchcock asked for information related to funds deducted from the water fund to pay for attorney fees related to PCE/TCE. She emphasized that these fees should not be recaptured through the water and wastewater rates.

Mr. Prima assured Ms. Hitchcock that the rate increase recommendation does not include costs related to PCE/TCE attorneys' fees. He indicated that he would look into Ms. Hitchcock's request and supply the information.

Mayor Nakanishi asked Mr. Prima to include rate information on Stockton, Manteca, Escalon, and the County for comparison purposes at the August 29, 2001, special Town Hall meeting.

**D. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS**

None.

*Continued August 28, 2001*

**E. ADJOURNMENT**

No action was taken by the City Council. The meeting was adjourned at approximately 8:29 a.m.

ATTEST:

Susan J. Blackston  
City Clerk

## Mayor's & Council Member's Weekly Calendar

### WEEK OF AUGUST 28, 2001

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Tuesday, August 28, 2001

- 7:00 a.m. Shirtsleeve Session
1. Water/Wastewater Rates
- 7:00 a.m. Special Meeting
1. Authorize the City Manager to provide San Joaquin County Council of Governments with a letter of support for its proposal to host a League of California Cities Grassroots Coordinator in its Stockton office
- 5:30 p.m. Land. Lodi Sister City Committee Membership Appreciation Annual Picnic, Lodi Lake Park ~ Parson Point.
- 

Wednesday, August 29, 2001

- 7:00 p.m. Town Hall Meeting
1. City Council review of electric, water, and wastewater rates and discussion regarding reverse frontage walls
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Thursday, August 30, 2001

- 4:00 - 5:30 p.m. Lodi Lake Nature Area Docent Council Discovery Center Open House, Lodi Lake Discovery Center.
- 4:00 - 7:00 p.m. Open House hosted by Saracino-Kirby-Snow, 980 Ninth Street, Suite 1480, Sacramento.
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Friday, August 31, 2001

- 10:00 - 2:00 p.m. Open House for Frank Pepper, retiring Parks Supervisor, Parks Division Office.
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Saturday, September 1, 2001

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Sunday, September 2, 2001

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Monday, September 3, 2001

Reminder Labor Day. City Hall closed.

Disclaimer: This calendar contains only information that was provided to the City Clerk's office

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*filed 8-28-0*

## **Water/Wastewater Utility Issues**

(In Two Parts)

Part 1 – July 31, 2001 Shirtsleeve

- **Declining Fund Balance**
- **Budget Objective #7- To Provide Resources to Maintain City's Infrastructure**
- **Regulatory & Other Requirements**
- **Direction/Next Steps**
- **Rates**
  - **History**
  - **Other Agencies**

Part 2 – August 28, 2001 Shirtsleeve

- **Infrastructure Replacement Issues**
- **Cost of Replacements**
- **Revenue Requirements**
- **Proposed Rates**

## Infrastructure Replacement Issues

- No “Industry Standard”
- Useful Life of Pipe Varies Considerably
  - Pipe Material
  - Soil Conditions
  - Customer Demands
- Lodi’s Problem
  - 2” Steel Pipe Watermains
    - ✓ Size is fine by 1930’s standards, inadequate today
    - ✓ Prone to leakage, breaks
    - ✓ Other appurtenances a problem – valves, hydrants
    - ✓ 14 miles in our system
    - ✓ 10 years to replace at total system 1% replacement rate
  - Concrete & Clay Sewer Pipe
    - ✓ Size is minimally adequate, corrosion a problem
    - ✓ Pipe breakage, joint leakage
    - ✓ Quantity unknown

## Cost of Replacements

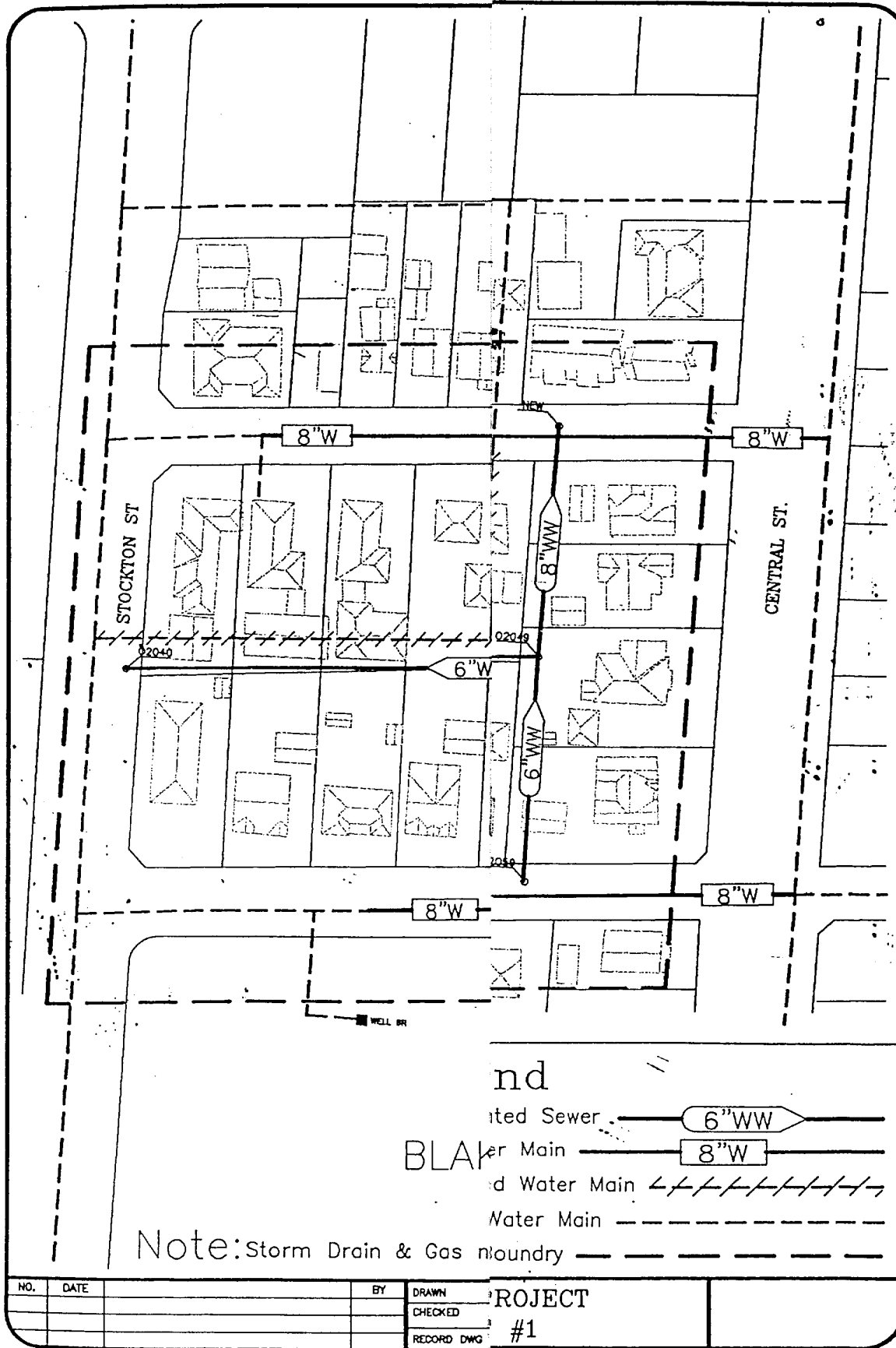
- Budget Estimate Approx. \$200 per ft. Each for Water & Sewer (\$400 total)
- Stockton Street Project – Street Reconstruction w/ Trunk Line Replacement
  - Includes Replacing 1,300 ft. Each of Water & Sewer Trunk Mains
  - Work Is Entirely in Street, as Part of Street Reconstruction (shared costs)
  - Contract Cost for Both: \$219 per ft.
  - For Typical Replacement Project, Need to Add:
    - ✓ Trench/Street Restoration - \$18 per ft.
    - ✓ Water & Sewer Services to Each Parcel - \$55 per ft.
    - ✓ Engineering & Contingencies (30%) - \$88 per ft.
    - ✓ Total Cost Estimate - \$380 per ft. (\$190 for each utility)
    - ✓ Does Not Include Easements & Related Construction for Split Lots.
- Typical Eastside Project
  - Includes Replacing Water & Sewer Mains in alleys or rear yards
  - Work Is Mainly in Yards and New Water Main in Street
  - Assumed No Cost for Easements
  - Mission & Watson Streets Project Estimates:
    - ✓ Wastewater - \$187 per project foot  
\$171 per foot of main pipe installed
    - ✓ Water - \$ 285 per project foot  
\$ 140 per foot of main pipe installed



**STOCKTON STREET ( TOKAY TO LODI AVE.)**  
**WATER & WASTEWATER INFRASTRUCTURE REPAIR COST COMPARISON (PER PROJECT FOOT)**

Item No.	Description	Unit	Quantity	Dell Engineering		Granite Construction		Average	
				Unit Price	Total Price	Unit Price	Total Price	Unit Price	Total Price
1	Traffic Control	LS	1	\$ 1,751	\$ 1,751	\$ 45,000	\$ 45,000	\$ 23,376	\$ 23,376
2	Excavation Safety	LS	1	\$ 9,959	\$ 9,959	\$ 5,000	\$ 5,000	\$ 7,480	\$ 7,480
3	6 inch WW Pipe	LF	233	\$ 23	\$ 5,359	\$ 75	\$ 17,475	\$ 49	\$ 11,417
4	10 inch WW Pipe	LF	1327	\$ 31	\$ 41,137	\$ 55	\$ 72,985	\$ 43	\$ 57,061
5	48 inch WWMH	EA	7	\$ 2,083	\$ 14,581	\$ 2,200	\$ 15,400	\$ 2,142	\$ 14,991
6	Abandon WW Pipe	LS	1	\$ 32,402	\$ 32,402	\$ 12,000	\$ 12,000	\$ 22,201	\$ 22,201
7	Abandon WWMH	EA	5	\$ 1,938	\$ 9,690	\$ 1,000	\$ 5,000	\$ 1,469	\$ 7,345
8	Install 4 inch WW Service	EA	21	\$ 565	\$ 11,865	\$ 1,200	\$ 25,200	\$ 883	\$ 18,533
Total WW Infrastructure Costs				\$	126,744	\$	198,060	\$	162,402
10	6 inch Water Pipe	LF	195	\$ 11	\$ 2,145	\$ 48	\$ 9,360	\$ 30	\$ 5,753
11	8 inch Water Pipe	LF	66	\$ 16	\$ 1,056	\$ 60	\$ 3,960	\$ 38	\$ 2,508
12	12 inch Water Pipe	LF	1328	\$ 35	\$ 46,480	\$ 57	\$ 75,696	\$ 46	\$ 61,088
13	6 inch Water Valve	EA	10	\$ 539	\$ 5,390	\$ 900	\$ 9,000	\$ 720	\$ 7,195
14	8 inch Water Valve	EA	2	\$ 752	\$ 1,504	\$ 1,100	\$ 2,200	\$ 926	\$ 1,852
15	12 inch Water Valve	EA	7	\$ 1,258	\$ 8,806	\$ 1,900	\$ 13,300	\$ 1,579	\$ 11,053
16	Install 1 inch Water Service	EA	15	\$ 518	\$ 7,770	\$ 1,200	\$ 18,000	\$ 859	\$ 12,885
17	Install 1 inch Water Service w/o Meter Box	EA	3	\$ 622	\$ 1,866	\$ 1,100	\$ 3,300	\$ 861	\$ 2,583
18	Fire Hydrant	EA	4	\$ 2,478	\$ 9,912	\$ 2,500	\$ 10,000	\$ 2,489	\$ 9,956
19	Temp. B.O.	EA	11	\$ 292	\$ 3,212	\$ 1,200	\$ 13,200	\$ 746	\$ 8,206
20	Abandon WM & Valves	LS	1	\$ 2,739	\$ 2,739	\$ 10,000	\$ 10,000	\$ 6,370	\$ 6,370
Total Water Infrastructure Costs				\$	90,880	\$	168,016	\$	129,448
Total Project Footage					1,330 LF				
Water Improvements Per Project Foot				\$	97				
WW Improvements Per Project Foot				\$	122				
Subtotal Water & WW Improvements Per Project Foot for this Project				\$	219	\$	219		
Additional Costs For a Typical Planned Project:									
Trench Repair @ \$15/foot (Estimated)				\$	15				
Water Services to Each Lot (Avg. \$ / Block Ft.)*				\$	20				
Sewer Services to Each Lot (Avg. \$ / Block Ft.)				\$	35				
Street Repair (Slurry Seal After Construction - \$ / Block Ft.)*				\$	3				
Subtotal Additional Costs (\$ / Block Ft.)				\$	73	\$	73		
Subtotal of Estimated Project Costs (\$ / Block Ft.)						\$	293		
Engr. & Contingencies (30%)						\$	88		
Total Estimated Project Costs ( \$ / Block Ft.)						\$	380		
Cost Per Utility at 50% Each ( \$ / Block Ft.):						\$	190		

\*Not included: costs associated with adjacent blocks; costs of acquiring easements; relocation of water services from rear yard to front yard; property restoration after construction; traffic control; etc.



EASTSIDE WATER & WASTEWATER REPLACEMENT PROJECT  
BLOCKS F-5 & G6 (Blocks Between Mission and Watson - E. of Stockton Street - No Alley)  
PRELIMINARY COST ESTIMATE - FUND DISTRIBUTION

Item No.	Description	Unit	Quantity	Engineer's Estimate		Fund Distribution		
				Unit Price	Total Price	WW Main Replacement 17.1	W Main Replacement 18.1	
Miscellaneous								
	Traffic Control	LS	1	\$ 10,000	\$ 10,000	\$ 4,000	\$ 6,000	
	Excavation Safety	LS	1	\$ 5,000	\$ 5,000	\$ 2,000	\$ 3,000	
	Mobilization / Demobilization	LS	1	\$ 20,000	\$ 20,000	\$ 8,000	\$ 12,000	
	Construction Photography	LS	1	\$ 1,500	\$ 1,500	\$ 600	\$ 900	
	Subtotal Miscellaneous				\$ 36,500	\$ 14,600	\$ 21,900	
Wastewater								
	6 inch WW Pipe	LF	1300	\$ 50	\$ 65,000	\$ 65,000		
	8 inch WW Pipe	LF	170	\$ 60	\$ 10,200	\$ 10,200		
	48 inch WWMH	EA	4	\$ 3,000	\$ 12,000	\$ 12,000		
	Abandon WWMH	LS	1	\$ 1,500	\$ 1,500	\$ 1,500		
	Install 4 inch WW Connections w/ Service & Cleanouts	EA	42	\$ 1,200	\$ 50,400	\$ 50,400		
	Subtotal Wastewater				\$ 139,100	\$ 139,100		
Water								
	8 inch Water Pipe	LF	2750	\$ 40	\$ 110,000		\$ 110,000	
	6 inch Water Valve	EA	4	\$ 750	\$ 3,000		\$ 3,000	
	8 inch Water Valve	EA	8	\$ 1,000	\$ 8,000		\$ 8,000	
	Install 1 inch Water Service	EA	72	\$ 860	\$ 61,920		\$ 61,920	
	Fire Hydrant	EA	2	\$ 2,500	\$ 5,000		\$ 5,000	
	Abandon WM & Valves	EA	1	\$ 5,000	\$ 5,000		\$ 5,000	
	Connect Services to Buildings	EA	42	\$ 500	\$ 21,000		\$ 21,000	
	Subtotal Water				\$ 213,920		\$ 213,920	
Backyard Reconstruction								
	Replace existing landscape and improvements if damaged by work	EA	42	\$ 750.00	\$ 31,500	\$ 12,600	\$ 18,900	
	Adjust MH rims and cleanouts to grade	LS	1	\$ 2,000	\$ 2,000	\$ 800	\$ 1,200	
	Subtotal Alley Reconstruction				\$ 33,500	\$ 13,400	\$ 20,100	
Street Reconstruction (Mission, Washington & Watson)								
	Patch Pave Water Main Trench	SF	14,500	\$ 4.00	\$ 58,000	\$ 23,200	\$ 34,800	
	Slurry Seal Streets	SF	85,000	\$ 0.10	\$ 8,500	\$ 3,400	\$ 5,100	
	Subtotal Street Reconstruction				\$ 66,500	\$ 26,600	\$ 39,900	
	Project Subtotal of Construction Costs				\$ 489,520	\$ 193,700	\$ 295,820	
	Contingencies (15%)				\$ 73,428	\$ 29,055	\$ 44,373	
	Engineering and Administration (15%)				\$ 73,428	\$ 29,055	\$ 44,373	
	Total Estimated Project Cost				\$ 636,376	\$ 251,810	\$ 384,566	\$ 636,376
	TOTAL PROJECT FOOTAGE	1350	LF					

NOTES:

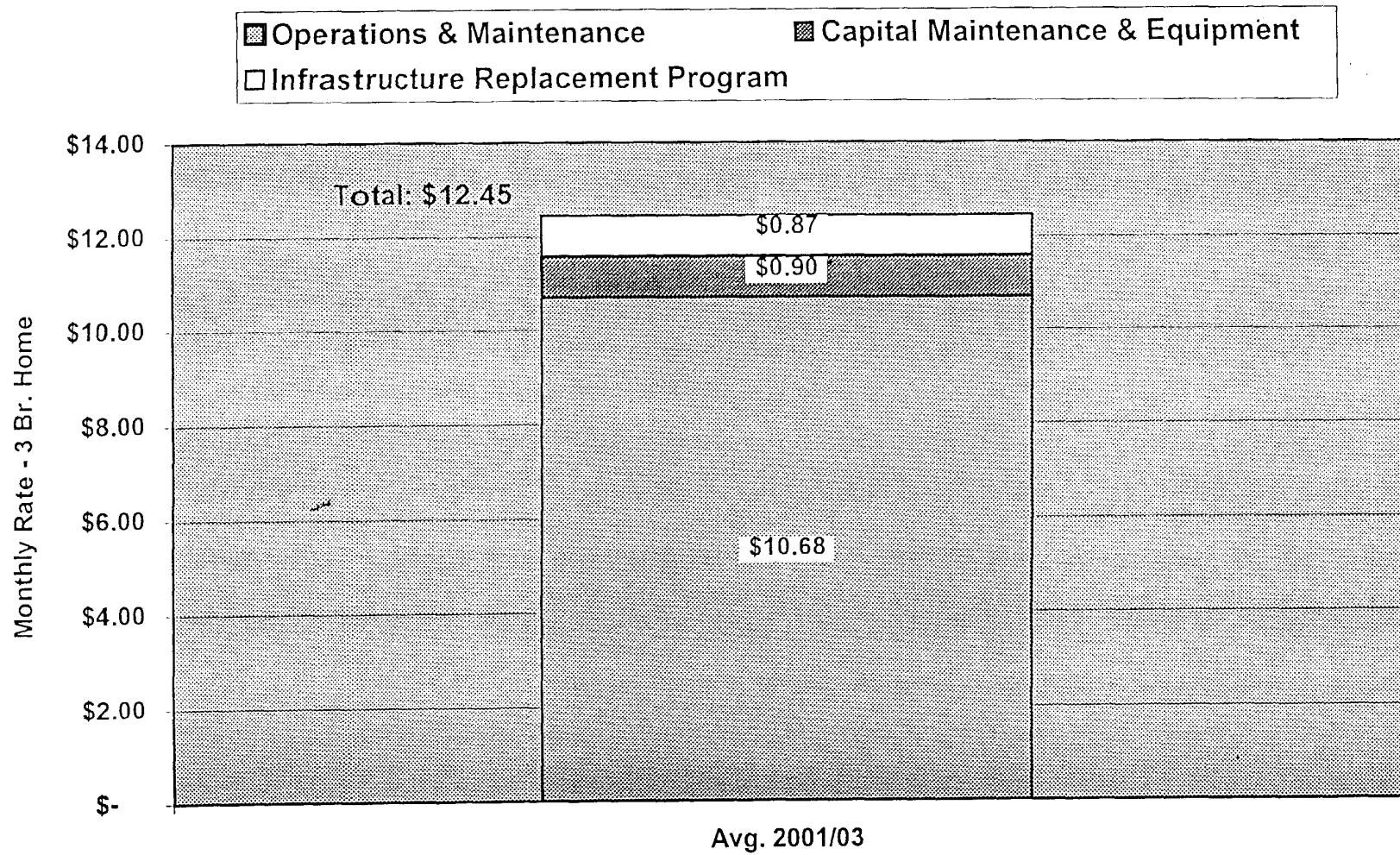
Install water in the street, abandon water in backyards  
Rehab wastewater in backyards  
Individually serve each address with own service  
Rebuild backyard area as required after construction  
Slurry Seal Mission and Watson Streets after installation of water main and services

Gross \$ / Project Foot *				
	Wastewater		Water	Combined
\$	187	\$	285	\$ 472
Net \$ / Project Foot **				
	Wastewater		Water	Combined
\$	187	\$	166	\$ 353
\$ / Foot of Pipe Installed *				
	Wastewater		Water	Combined
\$	171	\$	140	\$ 311

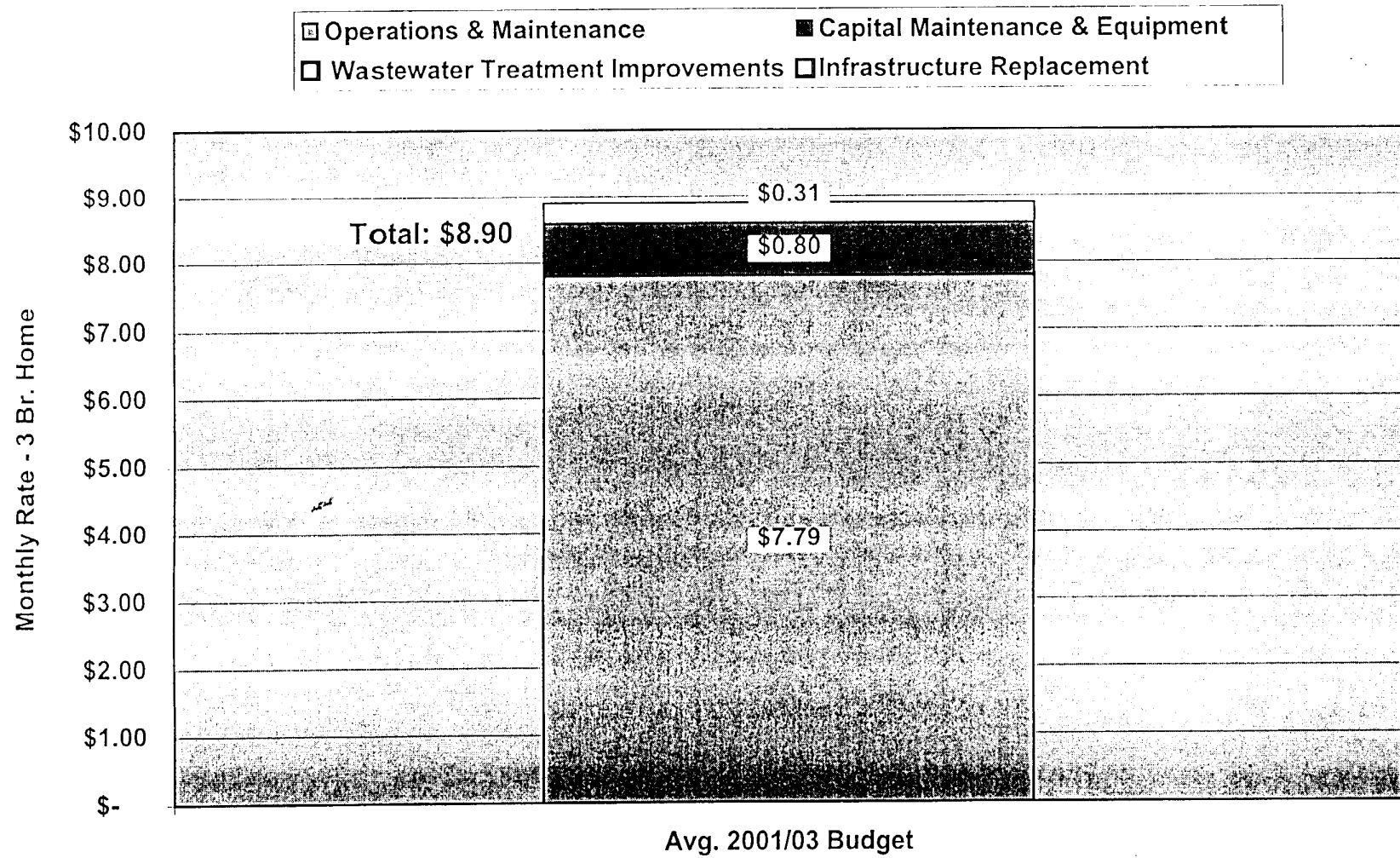
\* Including Costs Associated with Adjacent Blocks (Water Improvements & Street Repair)

\*\* Not Including Costs Associated with Adjacent Blocks (Water Improvements & Street Repair)

## Water Rate Components



## Wastewater Rate Components



## Increased Revenue Requirements

\$ Per Year

### *Water Utility*

<u>Component</u>	<u>Recommended Program</u>	<u>Potential Program</u>
Sustain Fund Balance w/Reserve	\$45,000	\$ 45,000
Replace Infrastructure	\$2,200,000	\$2,200,000
Alternate Water Supplies	<u>\$ 20,000</u>	<u>\$2,000,000</u>
Total:	\$2,265,000	\$4,245,000

### *Wastewater Utility*

Sustain Fund Balance w/Reserve	\$ 245,000	\$ 245,000
Replace Infrastructure	\$ 2,000,000	\$ 2,000,000
Wastewater Treatment Upgrades	<u>\$ 370,000</u>	<u>\$ 2,380,000</u>
Total:	<u>\$ 2,615,000</u>	<u>\$ 4,625,000</u>
Grand Total:	\$ 4,880,000	\$ 8,870,000

## **Proposed Rate Adjustment Concepts**

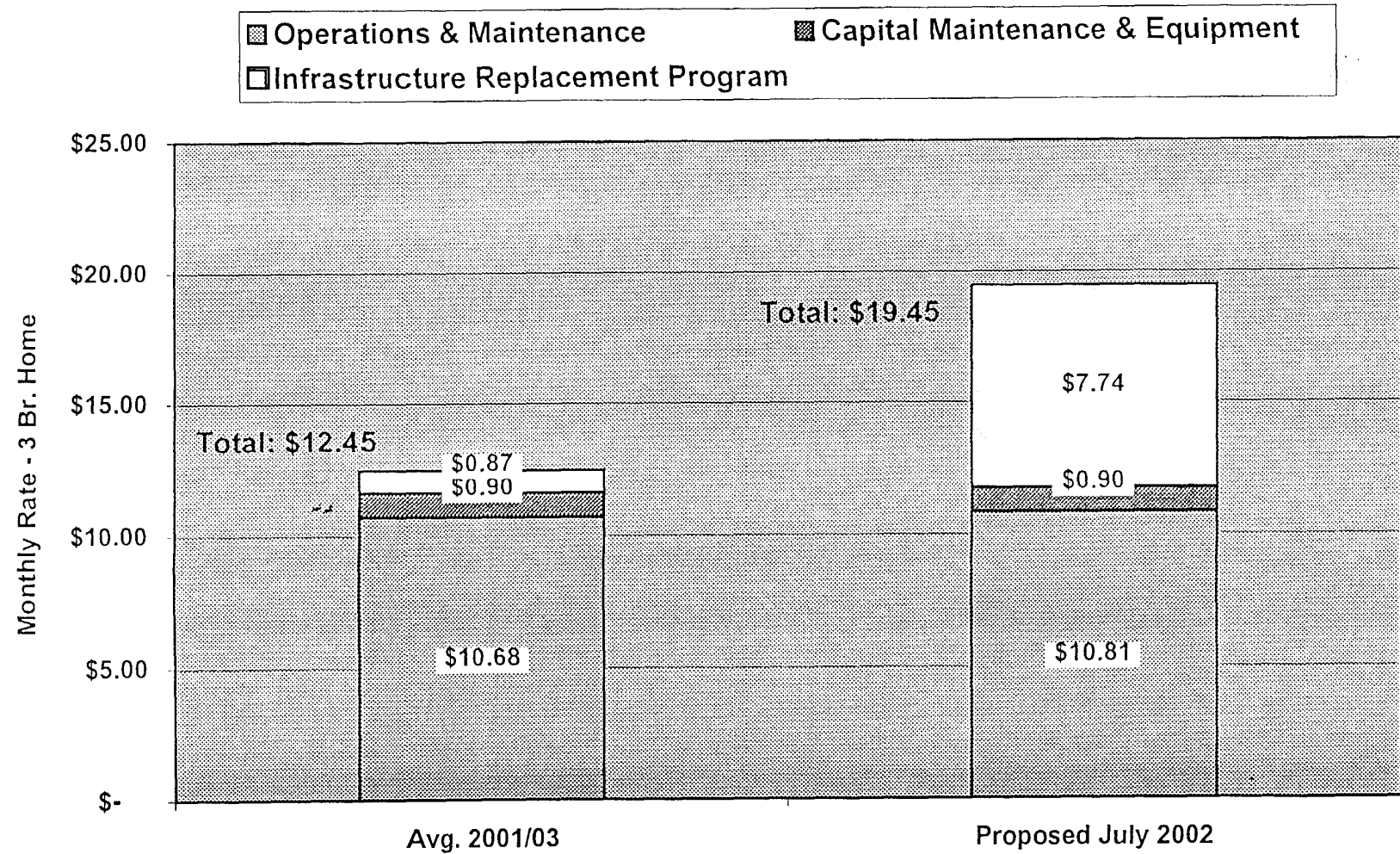
- **Two Smaller Increases Rather Than One Large One**
- **Adopt Both Increases Now To Allow Planning**
  - **October 2001**
  - **July 2002**
  - **Reconsider during FY 2002/03 for Future Years**
- **Water – Adjust Flat Rates and Water Usage, Leave Base Meter Charge As Is**
  - **Encourage Conservation**
  - **Rates More In Line With Other Cities**
- **Reduce In-Lieu Charge Starting FY 2002/03**
  - **Reduce Water from 17% to 12%**
  - **Reduce Sewer from 20% to 12%**
  - **Both will then be same as Electric**
  - **Continuing practice from last Water increase in 1995**

## Proposed – Water/Wastewater Rates

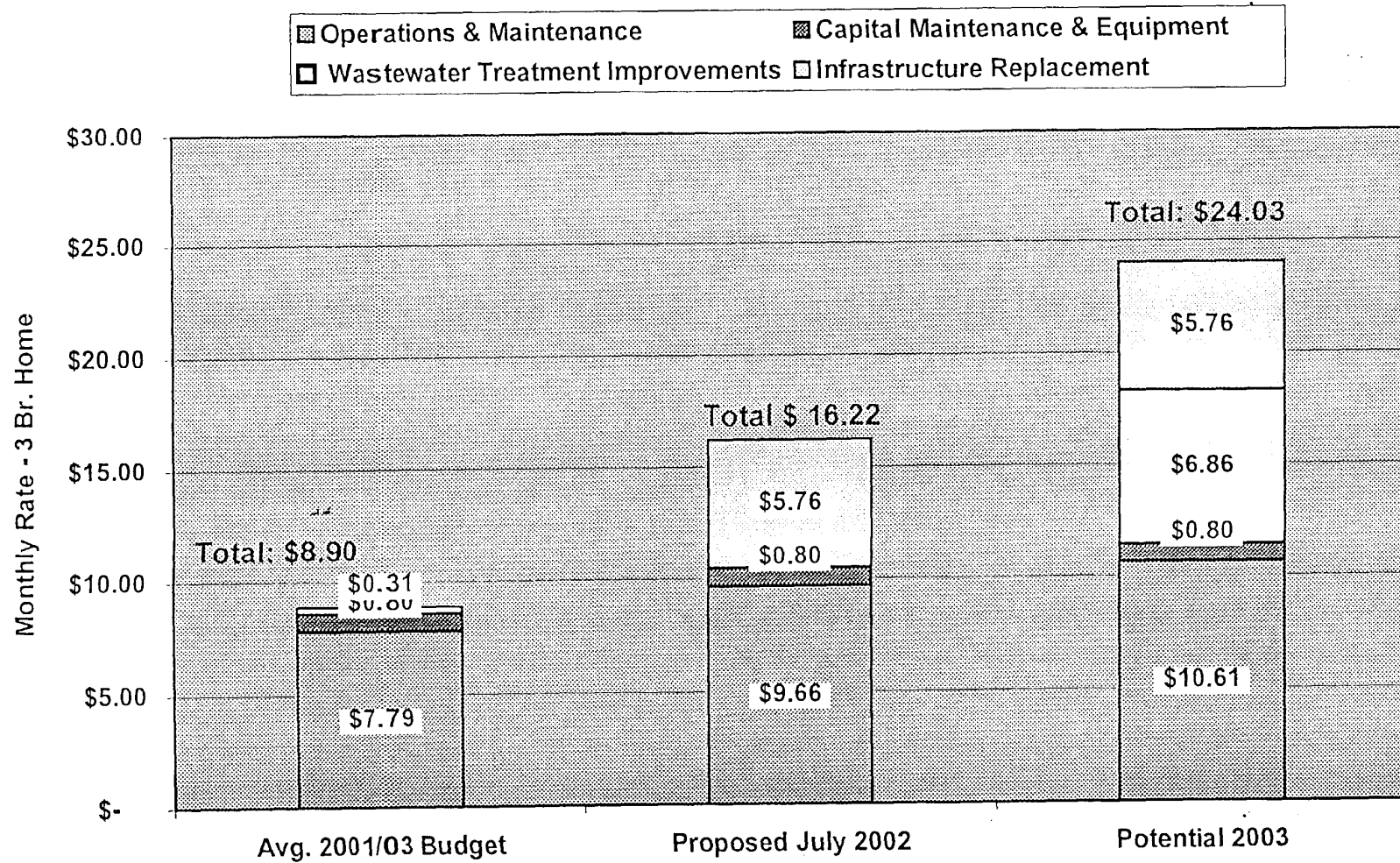
	<u>October</u> <u>2001</u>	<u>July</u> <u>2002</u>
<b>Water</b>		
\$/month – 3 Br. Home		
Existing Rate:	\$ 12.45	\$15.56
Increase:	<u>\$ 3.11</u>	<u>\$ 3.89</u>
Total:	\$ 15.56	\$ 19.45
 \$ /1000 gal/mo. Metered:		
(no change in base chg.)		
Existing Rate:	\$ 0.40	\$ 0.54
Increase:	<u>\$ 0.14</u>	<u>\$ 0.17</u>
Total:	\$ 0.54	\$ 0.71
 <b>Wastewater</b>		
\$/month – 3 Br. Home		
Existing Rate:	\$ 8.90	\$ 12.02
Increase:	<u>\$ 3.12</u>	<u>\$ 4.20</u>
Total:	\$ 12.02	\$ 16.22



## Water Rate Components



## Wastewater Rate Components



## **Next Steps**

- Questions/Comments from Council
- Town Hall Meeting August 29
- City Council Meeting September 19